

7. SALES TAXES AND VEHICLE INVENTORY TAXES

NOTE: This section is meant solely as a primer and may not reflect the most recent law changes as Motor Vehicle Sales and Use Tax is regulated by the Texas Comptroller of Public Accounts. More detailed information may be obtained by calling 1-800-252-1382 or 512-463-4600. For Information regarding Vehicle Inventory Tax call 1-800-252-9121. For a complete list of motor vehicle tax forms, see <http://www.cpa.state.tx.us/taxinfo/taxforms/14-forms.html>

7.1 Sales tax. A sales tax, currently 6.25 percent, is levied on all motor vehicle sales in the state of Texas. For sales tax purposes, the sale price of a motor vehicle is the sale price of the vehicle, less the trade-in. It does not include documentary fees, inspection fees, finance charges or the title and registration fees. If the application for transfer of title is submitted more than 20 working days after the sale a sales tax penalty of 10 percent of the sales tax due is levied.

7.2 Dealer-financed sales. If you are a dealer who finances motor vehicle sales, or offers consumers contracts to finance sales you must be licensed by the Office of the Consumer Credit Commissioner. In the licensing process you will be instructed on how to pay and report sales taxes on financed vehicles. To summarize the payment options, there are three methods for paying sales tax:

- a. Pay the sales tax in full when the application for transfer of title is submitted.
- b. Pay the sales tax in full at the next seller-financed reporting period. This usually gives the dealer many weeks before the sales tax is due.
- c. Pay the sales tax at the time of filing the seller-financed reports. The tax is paid only on the amounts collected. When the application for transfer of title is submitted, the dealer's seller-financed sales tax permit number is placed on the application in place of the sales tax due. Under this option, the sales tax on a \$500 down payment would be due when the dealer files his seller-financed sales report to the comptroller. If payments stop and the vehicle is repossessed, sales tax must be paid only on the actual payments received by the dealer. This method is preferred by most dealers.

This right to defer sales taxes is canceled in two situations. If the dealer does not transfer title within 60 days of the sale, all the sales tax is due at the time of the transfer. Further, if the sales contract is sold to a third party, the full sales tax amount due on the total sale is immediately due. There is no longer the ability to defer sales tax on the transaction.

7.3 Cash Sales. The law requires the selling dealer in all cash sales to collect the sales tax from the customer and pay it to the county tax office when the application for transfer of title is submitted. The failure to collect sales tax is not an excuse for failure to